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CAPITAL AREA LEGAL SERVICES CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2006

RECIPIENT NO. 619010

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Release Date 6-20-07

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

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**BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

4112 West Congress  
P.O. Box 61400  
Lafayette, Louisiana 70596-1400  
phone: (337) 988-4930  
fax: (337) 984-4574  
www.bplb.com

**Other Offices:**

Crowley, LA  
(337) 783-5693  
Opelousas, LA  
(337) 942-5217  
Abbeville, LA  
(337) 898-1497  
New Iberia, LA  
(337) 364-4554  
Church Point, LA  
(337) 684-2855

Herbert Lemoine II, CPA\*  
Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
P. John Blanchet, III, CPA\*  
Craig C. Babineaux, CPA\*  
Peter C. Borrello, CPA\*  
George J. Trappey, III, CPA\*  
Martha B. Wyatt, CPA\*  
Fayette T. Dupré, CPA\*  
Mary A. Castille, CPA\*  
Joey L. Breaux, CPA\*  
Terrel P. Dressel, CPA\*  
Craig J. Viator, CPA\*  
Stacey E. Singleton, CPA\*  
John L. Istre, CPA\*

**Retired:**

Sidney L. Broussard, CPA 1925-2005  
Leon K. Poché, CPA 1984  
James H. Breaux, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA\* 1992  
Geraldine J. Wimberley, CPA\* 1995  
Lawrence A. Cramer, CPA\* 1999  
Ralph Friend, CPA\* 2002  
Donald W. Kelley, CPA\* 2005

*Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants*

\* A Professional Accounting Corporation

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2007, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Broussard, Roche, Lewis & Breant LLP*

Lafayette, Louisiana  
April 19, 2007

## CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION  
December 31, 2006 and 2005

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 111,038	\$ 41,906
Grants and contracts receivable	109,989	98,069
Other current receivables	19,247	3,534
Prepaid expenses	12,811	14,163
Total current assets	253,085	157,672
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents:		
Client trust accounts	64,675	63,625
<b>NONCURRENT ASSETS</b>		
Utility deposits	278	278
<b>FIXED ASSETS, at cost, net of accumulated depreciation of \$371,886 and \$344,420, respectively</b>		
	466,717	482,158
Total assets	\$ 784,755	\$ 703,733
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES (payable from unrestricted assets)</b>		
Bank overdrafts	\$ -	\$ 87,487
Accounts payable	26,635	13,342
Line of credit	49,968	119,271
Accrued liabilities	11,350	15,633
Accrued annual leave	34,117	37,080
Deferred revenue	73,168	45,657
Notes payable – current portion	498,074	457,454
Total current liabilities (payable from unrestricted assets)	693,312	775,924
<b>CURRENT LIABILITIES (payable from restricted assets)</b>		
Client trust deposits	63,031	62,814
Total liabilities	756,343	838,738
<b>NET ASSETS</b>		
Temporarily restricted	28,412	(135,004)
Total net assets	28,412	(135,004)
Total liabilities and net assets	\$ 784,755	\$ 703,733

See Notes To Financial Statements.

## CAPITAL AREA LEGAL SERVICES CORPORATION

## STATEMENTS OF ACTIVITIES

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Changes in temporarily restricted net assets:		
Revenues and support -		
Grants and contracts	\$ 2,148,924	\$ 1,829,330
Contributions	722	5,160
Fees	55,623	36,023
Donated services/facilities	408,417	379,245
Other revenue	36,828	29,559
Net assets released from restrictions	<u>(2,487,098)</u>	<u>(2,390,523)</u>
Change in temporarily restricted net assets	<u>163,416</u>	<u>(111,206)</u>
Changes in unrestricted net assets:		
Net assets released from restrictions	2,487,098	2,390,523
Program expenses -		
Legal services	1,992,883	1,916,928
Elderly protective services	<u>161,621</u>	<u>143,380</u>
Total program expenses	<u>2,154,504</u>	<u>2,060,308</u>
Supporting expense:		
Administrative	<u>332,594</u>	<u>330,215</u>
Total expenses	<u>2,487,098</u>	<u>2,390,523</u>
Change in unrestricted net assets	<u>-</u>	<u>-</u>
Total change in net assets	163,416	(111,206)
Net assets, beginning	<u>(135,004)</u>	<u>(23,798)</u>
Net assets, ending	<u>\$ 28,412</u>	<u>\$ (135,004)</u>

See Notes to Financial Statements.

## CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2006

	Legal Services	Elderly Protective Services	Administrative	Total Expenses
Salaries and wages:				
Lawyers	\$ 440,592	\$ 9,757	\$ 93,152	\$ 543,501
Non-lawyers	345,779	98,353	135,313	579,445
Employee benefits	159,647	25,727	51,194	236,568
Space cost and renovations	115,793	6,000	1,379	123,172
Equipment rentals and maintenance	50,044	685	597	51,326
Office supplies and expenses	32,339	2,787	2,623	37,749
Travel and training	44,557	7,946	12,068	64,571
Utilities	44,918	-	-	44,918
Telephone	49,295	3,675	1,561	54,531
Insurance	30,118	1,627	-	31,745
Depreciation	27,466	-	-	27,466
Donated services	408,417	-	-	408,417
Contract services	117,422	-	4,846	122,268
Membership fees	11,353	20	455	11,828
Litigation costs	2,420	-	-	2,420
Baton Rouge Bar Subgrant	38,000	-	-	38,000
Interest expense	28,411	-	21,220	49,631
Other supplies	229	-	1,258	1,487
Access to justice	4,515	-	-	4,515
Staff parking	10,090	2,500	3,575	16,165
Audit fees	20,400	1,900	-	22,300
Fundraising expenses	-	-	-	-
Miscellaneous	11,078	644	3,353	15,075
	<u>\$ 1,992,883</u>	<u>\$ 161,621</u>	<u>\$ 332,594</u>	<u>\$ 2,487,098</u>

See Notes To Financial Statements.



## CAPITAL AREA LEGAL SERVICES CORPORATION

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2005

	Legal Services	Elderly Protective Services	Administrative	Total Expenses
Salaries and wages:				
Lawyers	\$ 364,063	\$ 5,263	\$ 87,177	\$ 456,503
Non-lawyers	396,093	91,590	133,960	621,643
Employee benefits	159,574	20,218	46,055	225,847
Space cost and renovations	117,750	5,400	1,226	124,376
Equipment rentals and maintenance	49,568	78	232	49,878
Office supplies and expenses	34,859	2,359	2,094	39,312
Travel and training	39,086	8,674	14,865	62,625
Utilities	33,668	-	-	33,668
Telephone	45,000	3,086	1,097	49,183
Insurance	22,430	1,500	-	23,930
Depreciation	29,627	-	-	29,627
Donated services	379,245	-	-	379,245
Contract services	116,054	-	6,750	122,804
Membership fees	8,743	-	280	9,023
Litigation costs	2,141	-	-	2,141
Baton Rouge Bar Subgrant	38,000	-	-	38,000
Interest expense	14,735	-	27,270	42,005
Other supplies	4,235	-	2,972	7,207
Access to justice	4,515	-	-	4,515
Staff parking	13,964	3,099	4,562	21,625
Audit fees	19,400	1,900	-	21,300
Fundraising expenses	259	-	-	259
Miscellaneous	23,919	213	1,675	25,807
	<u>\$ 1,916,928</u>	<u>\$ 143,380</u>	<u>\$ 330,215</u>	<u>\$ 2,390,523</u>

See Notes To Financial Statements.

## CAPITAL AREA LEGAL SERVICES CORPORATION

## STATEMENTS OF CASH FLOWS

December 31, 2006 and 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 163,416	\$ (111,206)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,466	29,627
Changes in assets and liabilities –		
(Increase) decrease in assets:		
Grants and contracts receivable	(11,920)	(86,536)
Rent receivable	-	8,649
Other current receivables	(15,713)	1,647
Prepaid expenses	1,352	1,764
Cash restricted for client trusts	(1,050)	(1,786)
Deposits held in escrow	-	225,000
Utility deposits	-	(25)
Increase (decrease) in liabilities:		
Accounts payable	13,293	5,985
Accrued liabilities	(4,283)	8,287
Accrued annual leave	(2,963)	-
Deferred revenues	27,511	8,157
Client trust deposits	217	974
Refundable state deposit	-	(225,000)
Net cash provided by (used in) operating activities	<u>197,326</u>	<u>(134,463)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>(12,024)</u>	<u>(13,065)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of debt	139,751	56,100
Increase (decrease) in bank overdraft	(87,487)	87,487
Net advances (payments) on revolving line of credit	(69,303)	60,714
Principal payments on long-term debt	<u>(99,131)</u>	<u>(57,736)</u>
Net cash provided by (used in) financing activities	<u>(116,170)</u>	<u>146,565</u>
Net decrease in cash and cash equivalents	69,132	(963)
Cash and cash equivalents, beginning	<u>41,906</u>	<u>42,869</u>
Cash and cash equivalents, ending	<u>\$ 111,038</u>	<u>\$ 41,906</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the period for interest	<u>\$ 52,564</u>	<u>\$ 42,005</u>

See Notes to Financial Statements.

# CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

Capital Area Legal Services Corporation (the "Corporation") is a nonprofit organization created in 1959, previously known as the Legal Aid Society, in 1974 the name was changed to Capital Area Legal Services Corporation. The purpose of the Corporation is to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Corporation provides legal assistance to residents in the following parishes in the State of Louisiana: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, LaFourche, Pointe Coupee, St. Charles, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of LSC. The more significant accounting policies of the Corporation are described below:

#### Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

#### Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements are classified as temporarily restricted.

#### Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

#### Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

#### Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	3 - 10
Library	5

# CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Compensated absences:

Full time employees earn vacation leave at a rate of 10 hours per month. Employees with three to five years of service earn 12 hours per month and employees with five or more years of service earn 14 hours per month of vacation leave. Maximum annual leave that can be carried over to subsequent years is 80 hours. Accrued annual leave at December 31, 2006 and 2005 totaled \$34,117 and \$37,080 respectively.

### Deferred revenue:

Deferred revenue is recognized for grants, awards, or other income received which are not considered to be earned at balance sheet date.

### Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

The Corporation received funding from the following Council on Aging Agencies: Capital Area Agency on Aging, Inc., East Baton Rouge Council on Aging, Inc., LaFourche Council on Aging, Inc., St. Charles Council on Aging, Inc., St. James Area Agency on Aging, St. John Council on Aging, Inc., and Terrebonne Council on Aging, Inc. to provide legal services to elderly citizens under Title III of the Older Americans' Act of 1965.

The Corporation also received funds from the following governmental entities: Ascension Parish Government, Assumption Parish Police Jury, City of Baton Rouge – Parish of East Baton Rouge, Iberville Parish Government, Pointe Coupee Parish Police Jury, St. James Parish Government, Terrebonne Parish Consolidated Government and West Feliciana Parish Police Jury to provide civil legal services to low-income and elderly citizens.

The Corporation also received funds from the following:

- Louisiana Bar Foundation, Interest on Lawyers Trust Accounts (IOLTA) Program - to provide free legal assistance in civil matters according to the eligibility standards approved by the Board of Directors in accordance with LSC regulations.
- State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program - to provide legal services to citizens under elderly protective services.
- State of Louisiana, Department of Justice – to provide civil legal services for the poor and for women who are victims of violence.
- State of Louisiana, Department of the Treasury – to provide civil legal services for hurricane victims.
- Entergy Charitable Foundation – to provide consumer advocacy services.

## CAPITAL AREA LEGAL SERVICES CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period.

#### Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Income taxes:

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

#### Private attorney involvement (PAI):

LSC requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff. During 2006, the corporation spent 10.3% of the basic field award on PAI expenses. The company was granted a partial waiver of \$45,000 by LSC.

#### Reclassifications:

Certain reclassifications have been made to the 2005 financial statements to be consistent with the 2006 presentation. These reclassifications did not affect total net assets or changes in net assets as previously stated.

#### Note 2. Cash and Cash Equivalents

The Corporation maintains bank accounts at several banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts on deposit at these banks in excess of the FDIC limit totaled \$63,412 as of December 31, 2006. This excess was covered by securities pledged in the name of the Corporation as of December 31, 2006.

# CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2006 and 2005 consisted of the following:

	2006	2005
State of Louisiana	\$ 95,050	\$ 87,500
Ascension Parish Government	2,250	3,000
Assumption Parish Police Jury	2,100	1,050
Terrebonne Parish Consolidated Government	5,253	6,279
Capital Area Agency on Aging, Inc.	322	240
St. James Parish Council on Aging, Inc.	500	-
East Baton Rouge City Courts	4,514	-
Total grants and contracts receivable	<u>\$ 109,989</u>	<u>\$ 98,069</u>

### Note 4. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. The Corporation uses approximately 17% of the building to provide legal services to the residents of Ascension, Assumption, St. James, and St. John the Baptist Parishes. The remaining space in the building is available for lease. During 2005 the Corporation began leasing the unoccupied space on September 1, 2005 for a monthly payment of \$1,907. The lease term ended on August 31, 2006. On September 1, 2006 the lease agreement was amended with monthly payments amounting to \$1,333 until August 31, 2007. The Corporation also leased another unoccupied section of the building for a monthly payment of \$750.

Total rental income recognized for the years ended December 31, 2006 and 2005 totaled \$29,586 and \$7,877, respectively.

### Note 5. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. LSC has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

	2006	2005
Buildings and improvements	\$ 532,250	\$ 522,341
Furniture and equipment	267,796	265,680
Library	38,557	38,557
Total fixed assets	838,603	826,578
Less: accumulated depreciation	(371,886)	(344,420)
Net fixed assets	<u>\$ 466,717</u>	<u>\$ 482,158</u>

Depreciation expense for the years ended December 31, 2006 and 2005 totaled \$27,466 and \$29,627, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2006:

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
LSC:		
Basic Field - General Grant	01/01/06 – 12/31/06	\$ <u>1,302,763</u>
Louisiana Bar Foundation:		
IOLTA Grant	01/01/06 – 12/31/06	\$ 125,866
IOLTA Grant - special	07/01/06 – 06/30/07	<u>12,270</u>
		\$ <u>138,136</u>
State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program:		
2005 – 2006 Grant	07/01/05 – 06/30/06	\$ 74,244
2006 – 2007 Grant	07/01/06 – 06/30/07	85,237
Professional services contract	07/01/04 – 06/30/05	<u>13,437</u>
		\$ <u>172,918</u>
Capital Area Agency on Aging, Inc.:		
2005 – 2006 Grant	07/01/05 – 06/30/06	\$ 7,515
2006 – 2007 Grant	07/01/06 – 06/30/07	<u>3,802</u>
		\$ <u>11,317</u>
East Baton Rouge Parish Council on Aging, Inc.	07/01/06 – 06/30/07	\$ <u>14,645</u>
LaFourche Council on Aging, Inc.:		
2005 – 2006 Grant	07/01/05 – 06/30/06	\$ 2,520
2006 – 2007 Grant	07/01/06 – 06/30/07	<u>2,532</u>
		\$ <u>5,052</u>
St. Charles Council on Aging, Inc.	07/01/03 – 06/30/07	\$ <u>1,800</u>
St. James Area Agency on Aging: 2006 – 2007 Grant	07/01/05 – 06/30/07	\$ <u>1,500</u>
St. John Council on Aging, Inc.:		
2003 – 2007 Grant	08/01/05 – 06/30/07	\$ <u>1,633</u>

## CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

## Note 6. Summary of Funding (continued)

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Terrebonne Council on Aging, Inc.:		
2005 – 2006 Grant	07/01/05 – 06/30/06	\$ 2,670
2006 – 2007 Grant	07/01/06 – 06/30/07	2,950
		<u>\$ 5,620</u>
Ascension Parish Government	01/01/06 – 12/31/06	<u>\$ 15,000</u>
Assumption Parish Police Jury	01/01/06 – 12/31/06	<u>\$ 4,200</u>
City of Baton Rouge – Parish of East Baton Rouge	01/01/06 – 12/31/06	<u>\$ 39,290</u>
Iberville Parish Government	01/01/06 – 12/31/06	<u>\$ 10,000</u>
Pointe Coupee Parish Police Jury	01/01/06 – 12/31/06	<u>\$ 5,800</u>
St. James Parish Government	01/01/06 – 12/31/06	<u>\$ 5,800</u>
Terrebonne Parish Consolidated Government	01/01/06 – 12/31/06	<u>\$ 14,693</u>
West Feliciana Parish Police Jury	01/01/06 – 12/31/06	<u>\$ 6,030</u>
Entergy Charitable Foundation, Utility Advocacy Project	01/01/06 – 12/31/06	<u>\$ 25,000</u>
State of Louisiana, Department of the Treasury	07/01/06 – 12/31/06	<u>\$ 180,000</u>
State of Louisiana, Department of Justice	07/01/05 – 06/30/06	<u>\$ 106,250</u>
Capital Area Family Violence Intervention Center, Inc.	07/01/05 – 06/30/07	<u>\$ 78,176</u>
Total grants and contracts		<u>\$ 2,145,623</u>
Other revenue sources		<u>\$ 504,890</u>
Total support and revenues		<u>\$ 2,650,513</u>



CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 7. Lease of Facilities

The Corporation leases various buildings to serve as branch offices. For the years ended December 31, 2006 and 2005, the Corporation expended \$83,025 and \$80,798, respectively, on lease payments. The following details the written lease agreements in effect for the year ended December 31, 2006:

- Houma office: \$998 per month, automatically renews each year.
- Baton Rouge office: \$5,849 per month for the period December 1, 2001 – November 30, 2006. The lease payments increased to \$6,250 per month for the period December 1, 2006 – November 30, 2007.

Future minimum lease payments required under these operating lease agreements is as follows:

Years Ending  
December 31,

2007

\$ 73,740

Note 8. Grants to Other Agencies

For the years ended December 31, 2006 and 2005, the Corporation granted \$38,000 of LSC funds to the Baton Rouge Bar Foundation. This subgrantee is a pro bono program, which uses the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2006, this subgrantee had expended the entire 2006 grant award.

Note 9. Donated Services

Donated services, meeting the criteria for recognition in accordance with generally accepted accounting principals, are recognized both as support and expense. Donated services recognized within the financial statements are valued at the rate normally charged for similar services in the surrounding area. All donated services are classified as non-LSC program expenses.

Donated services received for the years ended December 31, 2006 and 2005 totaled \$408,417 and \$379,245, respectively.

## CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

## Note 10. Notes Payable

Notes payable at December 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Note payable, Whitney National Bank, 7.25% rate of interest, secured by a mortgage on Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due June 9, 2007.	\$ 345,671	\$ 359,956
Note payable, Capital One, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated April 6, 2001, due on demand, if no demand is made, monthly principal and interest payments of \$1,015, final payment due June 6, 2010.	36,307	44,341
Note payable, Hancock Bank, 9.25% interest, secured by the Corporation's accounts receivable and intangibles, noted January 24, 2006 due on demand if no demand is made, monthly principal and interest payments of \$3113, final payment due January 24, 2008.	38,624	-
Note payable, Hancock Bank of Louisiana, variable rate of interest equal to prime plus 2 points, 10.25% at end of year, secured by the Corporation's secured by specific UCC on \$180,000 of grant receivable, dated August 29, 2006, due on demand, if no demand is made interest is due monthly with final principal payment due August 29, 2007	61,103	-
Note payable, Hancock Bank of Louisiana, 9.50% interest, secured by the Corporation's accounts receivable and intangibles, note dated November 7, 2005, due on demand, if no demand is made, monthly payments of \$3,357, final payment due May 5, 2007.	<u>16,369</u>	<u>53,157</u>
Total notes payable	498,074	457,454
Less: current portion of notes payable	<u>(498,074)</u>	<u>(457,454)</u>
Long-term notes payable	<u>\$ -</u>	<u>\$ -</u>

# CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Notes Payable (continued)

All notes payable of the Corporation were classified as current at December 31, 2006, either due to maturity within one year or due on demand clauses within the note. Maturities of long-term notes payable for each of the next five years and in aggregate thereafter, if banks do not exercise due on demand clause, is expected to be as follows:

2007	\$ 467,805
2008	13,175
2009	11,060
2010	6,034
2011	-
Totals	<u>\$ 498,074</u>

### Note 11. Lines of Credit

The Corporation had line of credit available in the amount of \$50,000. Interest on this line of credit is stated at a variable rate equal to prime plus 1.25 points. This line of credit has no stated maturity date and will continue until terminated by the bank. The balance on this line of credit amounted to \$49,968 as of December 31, 2006.

### Note 12. Federal and State Grants

The Corporation participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2006 and through the date of this report.

### Note 13. Deferred Compensation Plan

In 2002, the Corporation established a 401 (k) plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the years ended December 31, 2006 and 2005 totaled \$22,460 and \$23,677, respectively.

# CAPITAL AREA LEGAL SERVICES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Temporarily Restricted Net Assets

As of December 31, 2006 and 2005, temporarily restricted net assets were as follows:

	<u>2006</u>	<u>2005</u>
LSC – operating	\$ (28,149)	\$ (184,687)
Property	84,739	77,861
Non-LSC (operating)	<u>(28,178)</u>	<u>(28,178)</u>
	<u>\$ 28,412</u>	<u>\$ (135,004)</u>

During 2006, the Corporation transferred from non-LSC net assets \$156,538 to cover prior LSC operating deficits.

### Note 16. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, LSC accounted for 49% and 68% of the total support of the Corporation in 2006 and 2005, respectively.

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SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES, SUPPORT, AND EXPENSES  
 LEGAL SERVICES CORPORATION - BASIC FIELD - GENERAL  
 Year Ended December 31, 2006

	General	Private Attorney Involvement	Total
LSC basic field - income	\$ 1,139,918	\$ 162,845	\$ 1,302,763
LSC - interest income	267	-	267
LSC - CLE income	3,300	-	3,300
	<u>1,143,485</u>	<u>162,845</u>	<u>1,306,330</u>
Salaries:			
Lawyers	349,262	7,733	356,995
Non-lawyers	344,311	28,699	373,010
Employee benefits	161,595	5,848	167,443
Space cost and renovations	16,183	-	16,183
Equipment rentals and maintenance	30,871	663	31,534
Office supplies and expenses	27,306	1,927	29,233
Travel and training	36,911	9,808	46,719
Utilities	31,996	651	32,647
Telephone	21,817	85	21,902
Insurance	15,616	317	15,933
Contract services	74,447	37,010	111,457
Membership fees	4,375	50	4,425
Litigation costs	290	-	290
Baton Rouge Bar Subgrant	-	38,000	38,000
Interest expense	16,595	-	16,595
Other supplies	1,487	-	1,487
Staff parking	10,475	565	11,040
Audit fees	8,863	2,787	11,650
Fundraising expenses	-	-	-
Miscellaneous	19,186	601	19,787
	<u>1,171,586</u>	<u>134,744</u>	<u>1,306,330</u>
Total expenses			
	<u>1,171,586</u>	<u>134,744</u>	<u>1,306,330</u>
Revenue and support net of expenses	\$ (28,101)	\$ 28,101	\$ -

CAPITAL AREA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARDS EXPENDED  
LOUISIANA BAR FOUNDATION - IOLTA GRANT  
Year Ended December 31, 2006

Regular Grant Award:

Grant award	\$ 125,866
Direct expenses:	
Salaries and wages -	
Lawyers	45,000
Non-lawyers	44,500
Employee benefits	19,527
Office Supplies	1,115
Travel and training	5,220
Telephone	1,619
Membership fees	265
Access to justice	4,515
Staff parking	1,335
Litigation Cost	770
Audit fees	2,000
Total expenses	125,866
Grant award, net of direct expenses	\$ -

Special Grant Award:

Grant award received	\$ 19,550
Less: grant award deferred	(7,280)
Grant income recognized	12,270
Direct expenses:	
Salaries and wages -	
Lawyers	10,967
Employee benefits	863
Staff parking	440
Total expenses	12,270
Grant award, net of direct expenses	\$ -

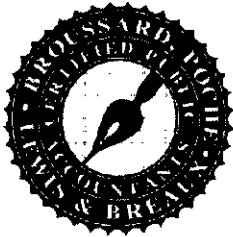


CAPITAL AREA LEGAL SERVICES CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Legal Services Corporation: Basic Field – General Grant	09.61901	\$ 1,302,763
U.S. Department of Justice Pass-Through Program From - Capital Area Family Violence Intervention Center, Inc. Legal Assistance for Victims	16.524	<u>78,176</u>
Total expenditures of federal awards		<u>\$ 1,380,939</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal Awards includes the federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



**BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

4112 West Congress  
P.O. Box 61400  
Lafayette, Louisiana 70596-1400  
phone: (337) 988-4930  
fax: (337) 984-4574  
www.bplb.com

**Other Offices:**

Crowley, LA  
(337) 783-5693  
Opelousas, LA  
(337) 942-5217  
Abbeville, LA  
(337) 898-1497  
New Iberia, LA  
(337) 364-4554  
Church Point, LA  
(337) 684-2855

Herbert Lemoine II, CPA\*  
Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
P. John Blanchet, III, CPA\*  
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John L. Istre, CPA\*

**Retired:**

Sidney L. Broussard, CPA 1925-2005  
Leon K. Poché, CPA 1984  
James H. Breaux, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA\* 1992  
Geraldine J. Wimberley, CPA\* 1995  
Lawrence A. Cramer, CPA\* 1999  
Ralph Friend, CPA\* 2002  
Donald W. Kelley, CPA\* 2005

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

We have audited the financial statements of Capital Area Legal Services Corporation (a nonprofit organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Capital Area Legal Services Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Broussard, Roche, Lewis & Breaux LLP*

Lafayette, Louisiana  
April 19, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

**Compliance**

We have audited the compliance of Capital Area Legal Services Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation, that are applicable to each of its major federal programs for the year ended December 31, 2006. Capital Area Legal Services Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

In our opinion, Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

The management of Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Broussard, Roche, Lewis & Breaux LLP*

Lafayette, Louisiana  
April 19, 2007

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2006, and have issued our report thereon dated April 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" and the provisions of Legal Services Corporation's Accounting Guide for LSC Recipients and Compliance Supplement for Audits of LSC Recipients. Our audit of the financial statements as of December 31, 2006, resulted in an unqualified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes ☐ No ☒ Reportable Conditions Yes ☐ No ☒

Compliance

Compliance Material to Financial Statements Yes ☐ No ☒

b. Federal Awards

Internal Control

Material Weaknesses Yes ☐ No ☒ Reportable Conditions Yes ☐ No ☒

Type of Opinion on Compliance ☒ Unqualified ☐ Qualified  
For Major Programs ☐ Disclaimer ☐ Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? Yes ☐ No ☒

c. Identification of Major Programs

CDFA Number Name of Federal Program

09.619010 Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes ☐ No ☒

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 2006

Section I. Internal Control and Compliance Material to the Financial Statements

None.

Section II. Internal Control and Compliance Material to Federal Awards

None.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2005.

MANAGEMENT'S CORRECTIVE ACTION PLAN  
Year Ended December 31, 2006

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

None reported.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2006.

Responsible party: James A. Wayne, Sr.  
Executive Director